Military Health System

TRICARE

"T-Nex" The Next Generation of Contracts

CAPT Walt Tinling, MSC, USN
TMA, Resource Management

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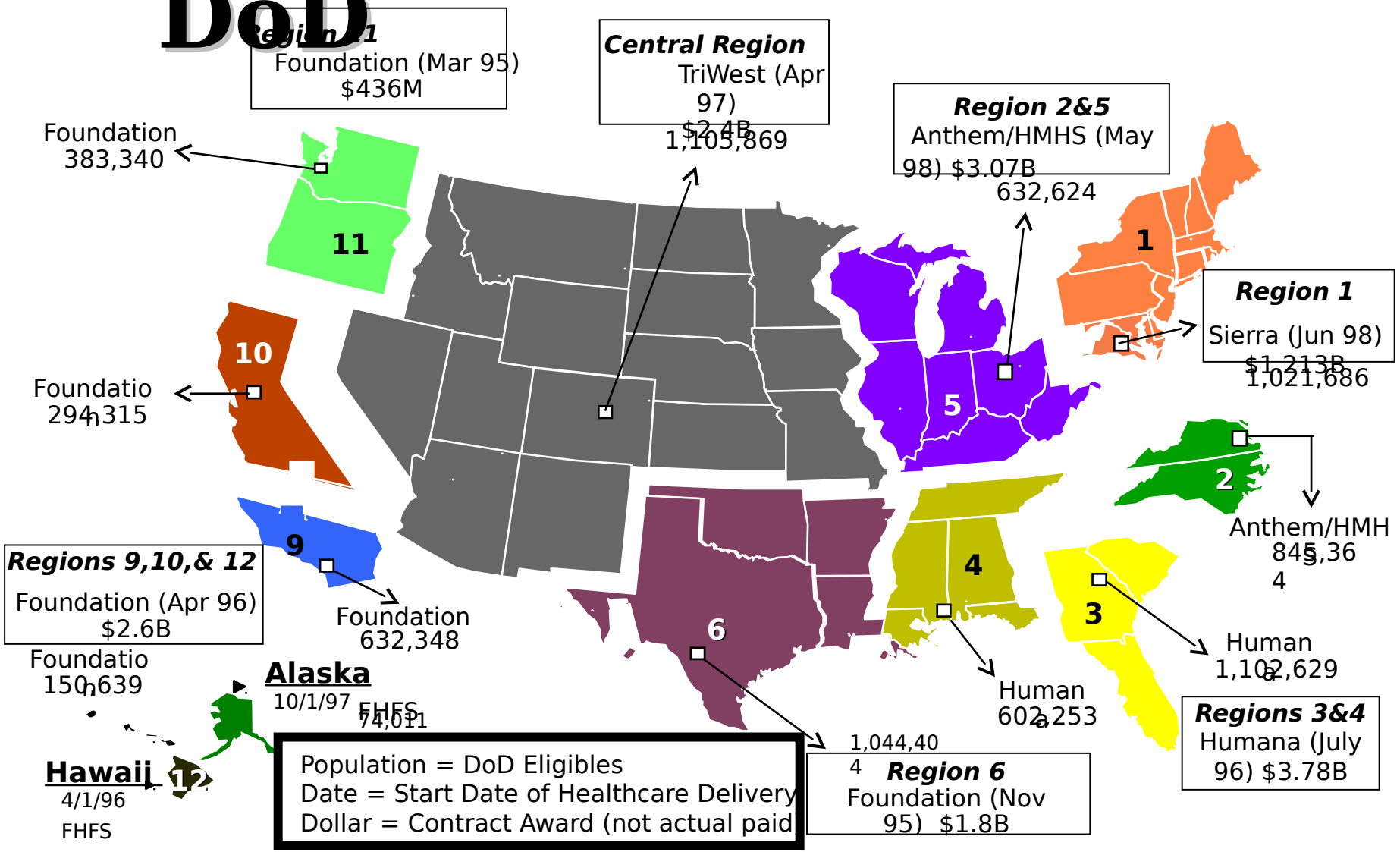
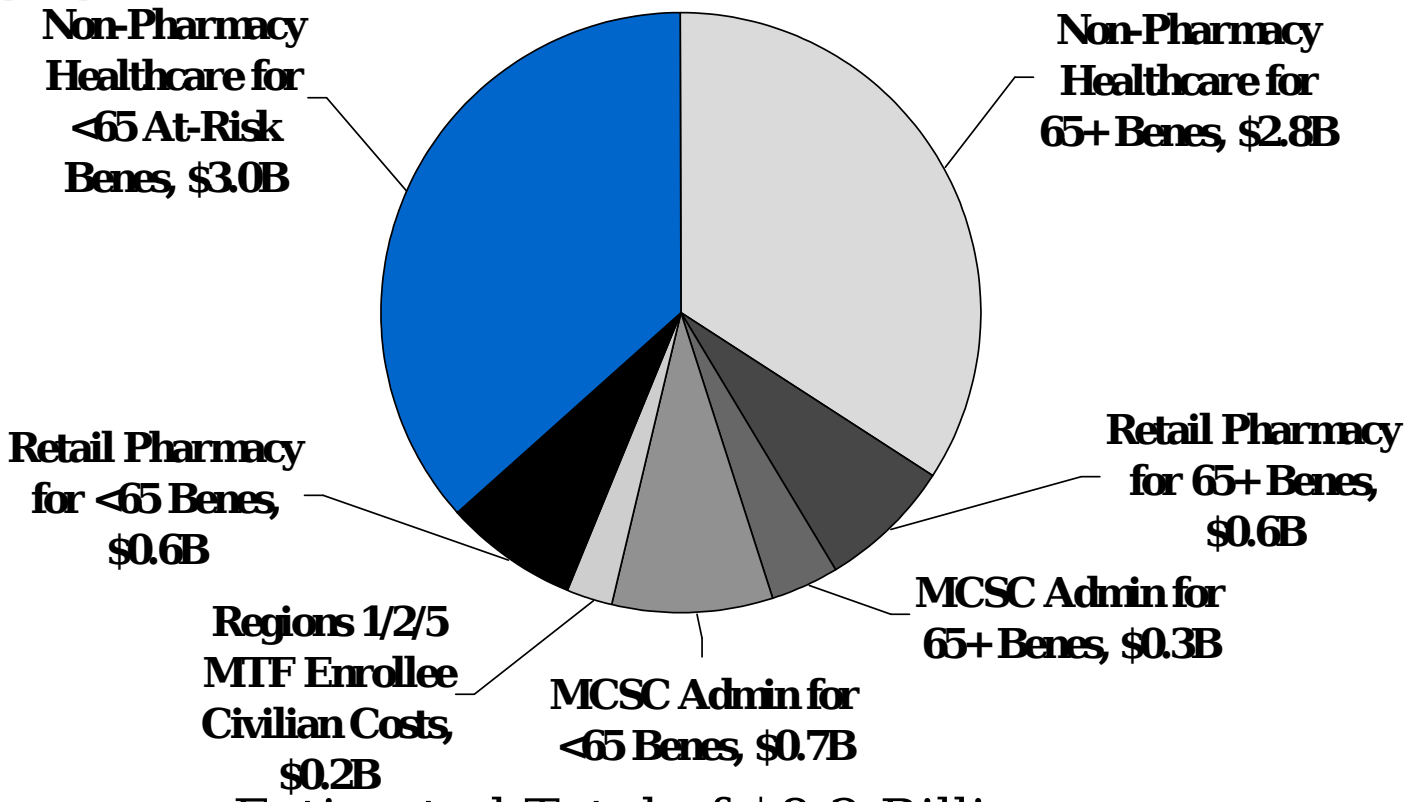
Topical Outline

- Overview Current MCSC Environment
- Next Generation of Contracts
  - Goals
  - Assumptions
  - Financial Objectives
- Timeline/Phasing

TRICARE Across DoD



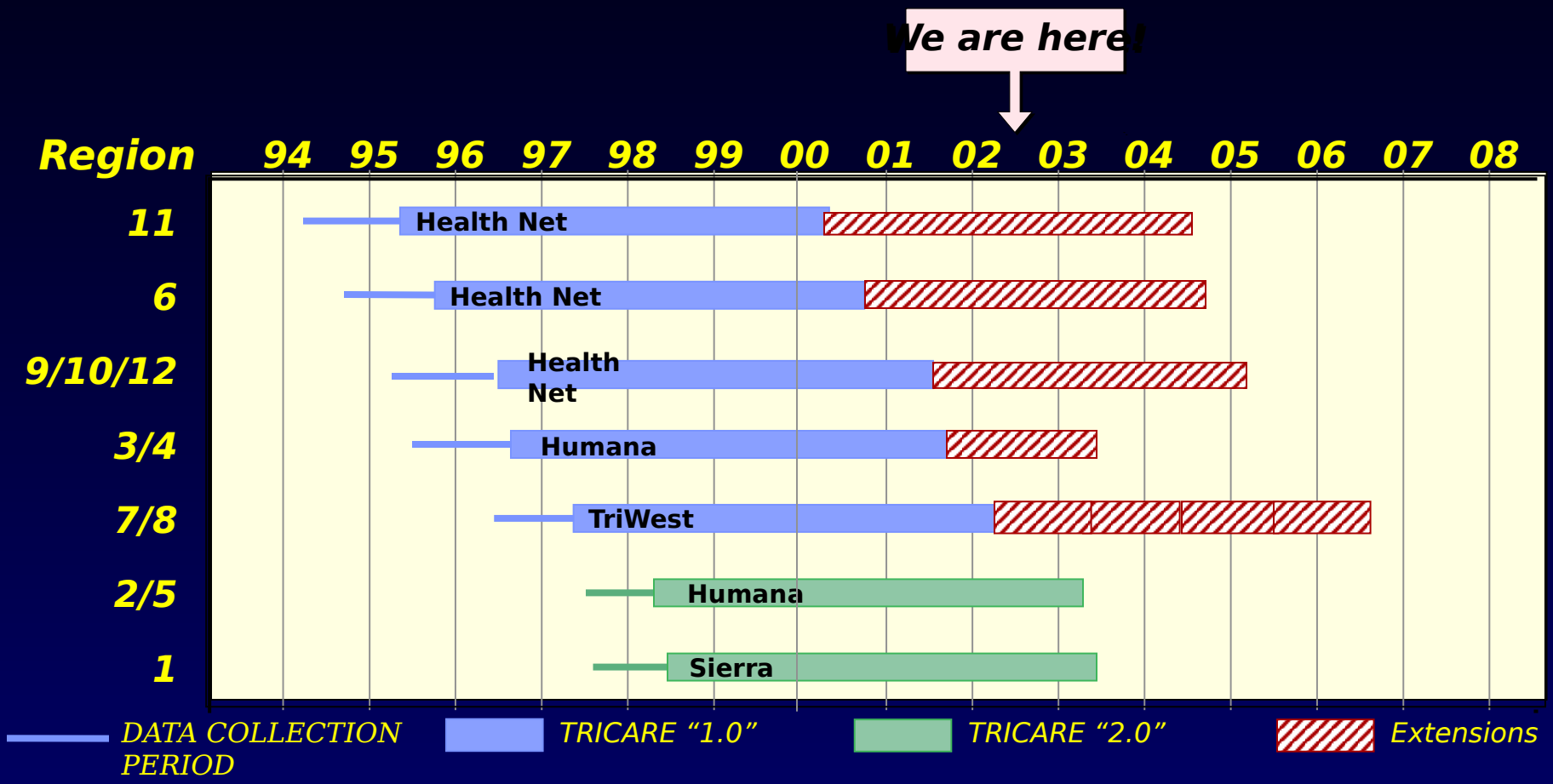
Relative Size of Major MCS Cost Categories in FY 2002


Non-Pharmacy Healthcare for <65 At-Risk Benes, $3.0B
Non-Pharmacy Healthcare for 65+ Benes, $2.8B
Retail Pharmacy for <65 Benes, $0.6B
Retail Pharmacy for 65+ Benes, $0.6B
MCSC Admin for 65+ Benes, $0.3B
Regions 1/2/5 MTF Enrollee Civilian Costs, $0.2B
MCSC Admin for <65 Benes, $0.7B

Estimated Total of $8.2 Billion

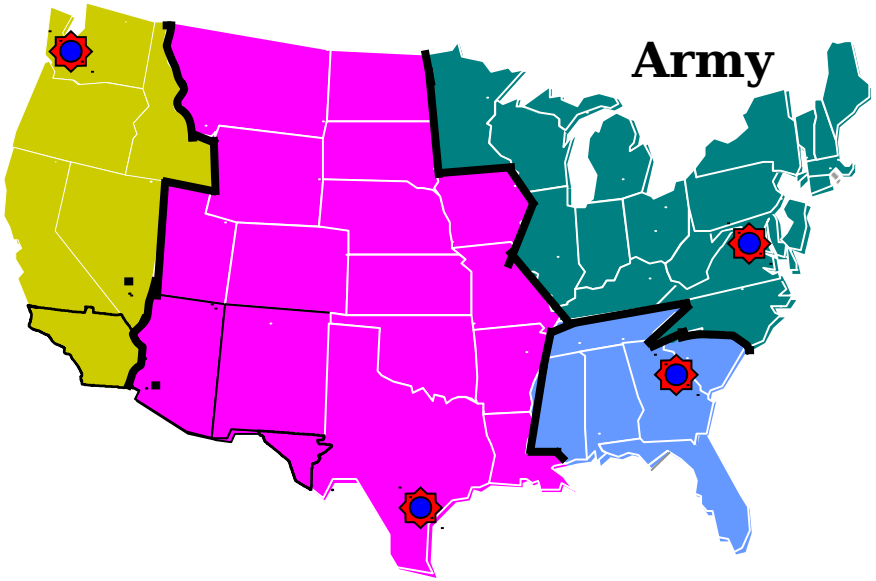
Note: Active duty and MTF costs are not shown

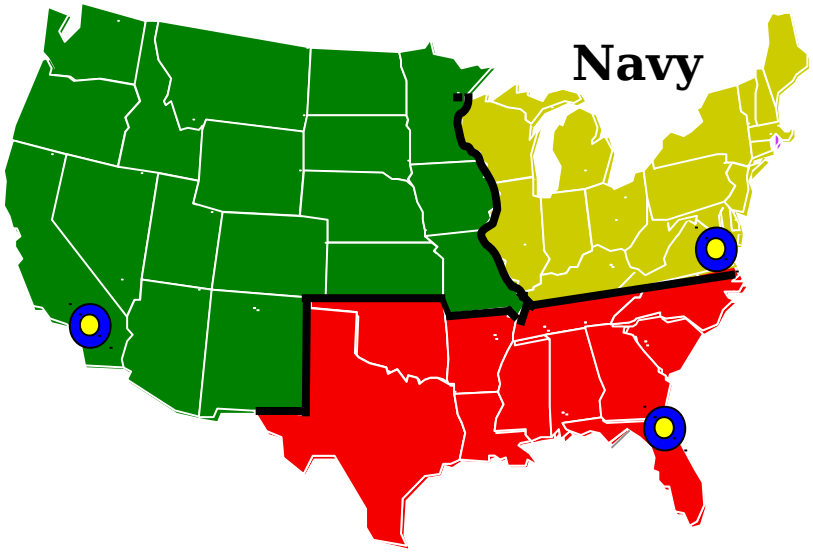
TRICARE Regional Contracting

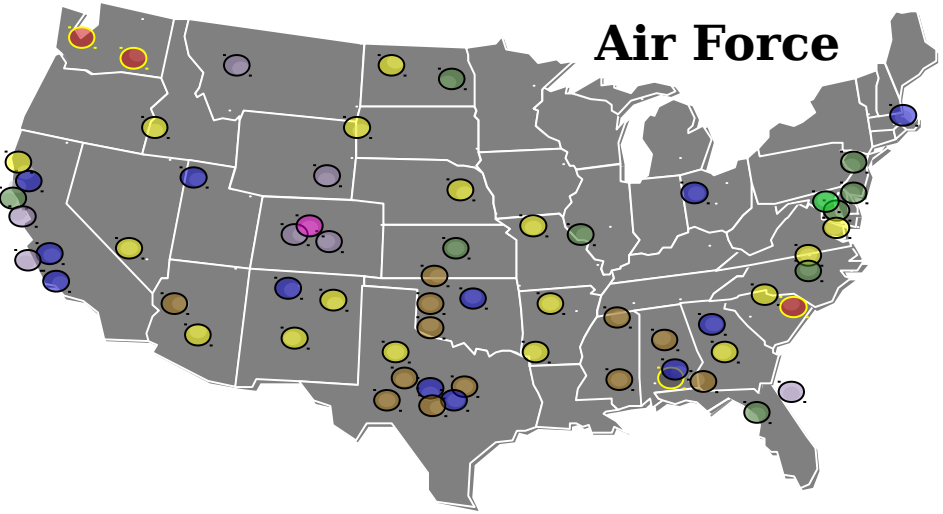


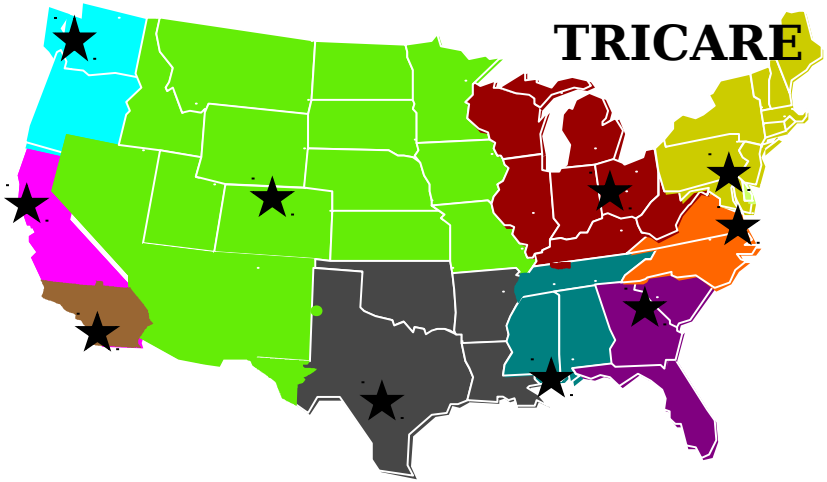
* This gap is due to a bid protest.

Complexity compounded by number of organizational structures



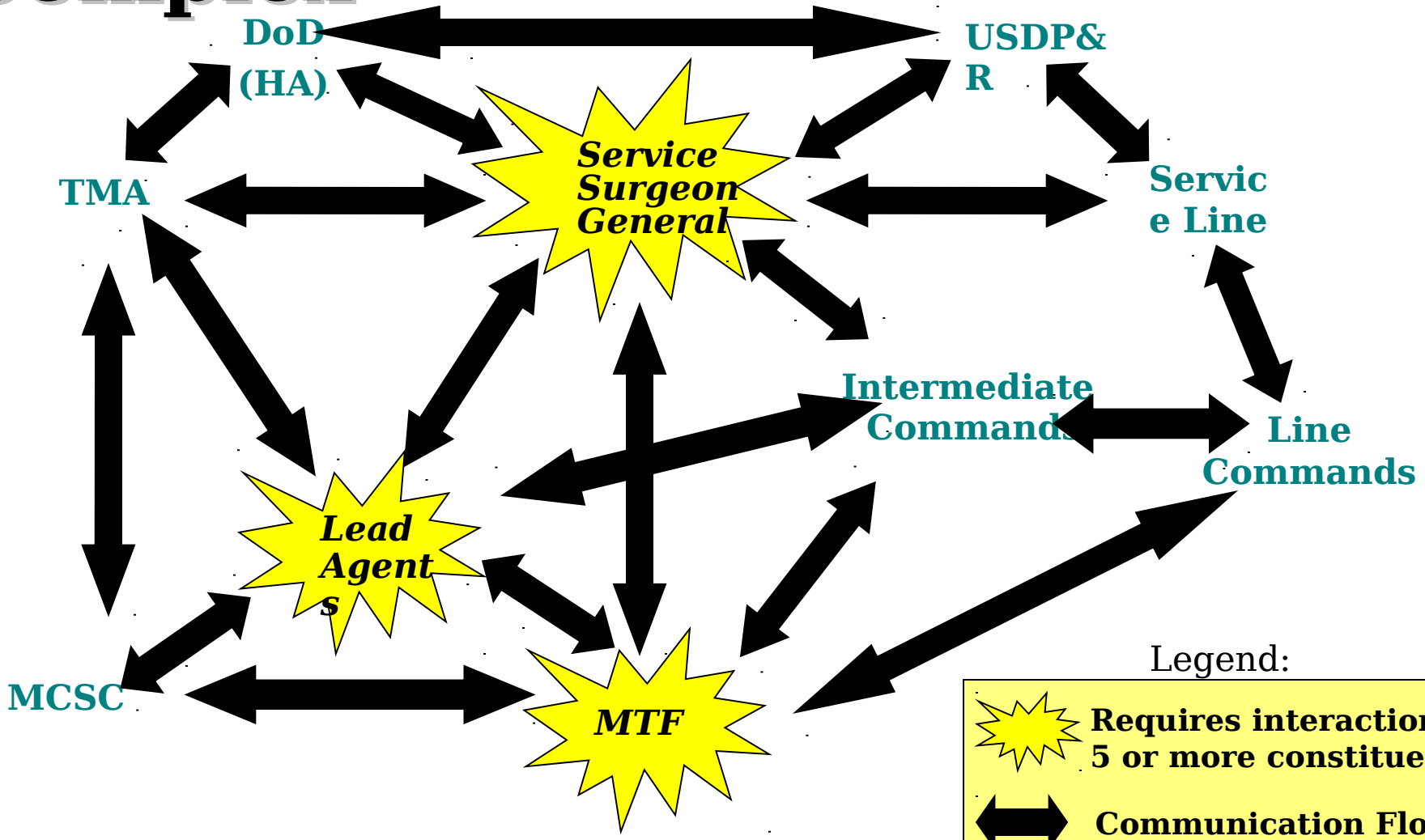






Management of MHS is Complex

Existing MHS Communication Flow



Current Environment

- **Change Orders**
  - **FY01 NDAA issues**
  - **Standard of care**
  - **Other legislative FY02 requirements**
- **Contract Extensions**
  - **Simplify BPA process**
  - **Update data collection period**
  - **Foster win-win for all parties**

Current Environment
(con't)

- Health care cost growth
- Uniform Benefit
- Ever changing requirements
- Integration of commercial best practices
- Limited budget predictability

Next Generation: Our Guiding Principles

- **RFPs that are simpler and easier to understand, to ensure maximum competition for our business, and contracts that are less complex to administer.**
- **Performance-based requirements, clearly defining our ultimate needs rather than simply listing our expectations**
- **Establish separate contracts (carve-outs) and organize work logically by core competencies.**
- **Take advantage of lessons learned.**

Next Generation: Our Goals

- Deliver high quality health care services at the maximum value
  - Optimize existing capabilities (Direct Care)
  - Take advantage of best business practices
- Maintain beneficiary satisfaction at the highest possible level
- Support Services' readiness and peacetime mission requirements
- Achieve continuous measurable improvements in the health status of our beneficiaries
- Develop a transition plan that minimizes disruptions to beneficiaries

Next Generation: Our Goals
(Con't)

- **Achieve a positive, cooperative operational relationship between the Gov't/MCSCs, and between contractors**
- **Organize contracts, both functionally and in terms of geographical area, in a way that minimizes administrative burdens on the Gov't and MCSCs**
- **Maintain ready access to data to support DOD's needs (financial/systems, clinical management, and admin)**
- **Maximize our relationships with other Federal healthcare agencies, DVA, CMS et al.**

Next Generation: Our Assumptions

- No significant benefit changes prior to RFP release
  - TRICARE Prime
  - TRICARE Standard/Extra
  - TRICARE Plus
- Risk based contracts for healthcare costs
- Regional oversight delegated to Lead Agents
- The fewer number of contracts the better
  - Change orders
  - Day-to-Day administration
- Use best business practices
- Carve-outs
  - Pharmacy: TMOP and retail
  - Marketing and education

Objectives for T-Nex Financing

- Improve budget predictability
- Preserve funds and incentives for MTFs
- Motivate cost control
- Make mechanisms simpler
- Make change orders [illegible] negotiate

Objectives for T-Nex Financing

- Avoid request for equitable adjustments
- Promote quality of care and customer satisfaction
- Enhance competition
- Make bidding and evalu… easier
- Implement successfully

T-NEX Timeline

AWARD
September 1, 2002

1 Oct 01-31 Jan 02	1 Feb 02-31 Mar 02	1 Apr 02	1 Apr 02-31 May 02	1 Jun 02-31 Aug 02	1 Sep 02-31 May 03	1 Jun 03
Develop RFP	**Approval Coordination**	**Release RFP**	**Proposal Prep**	**Evaluation**	**Transition**	**SHCD**

Benefits of Phasing

- Significantly minimizes risk for beneficiaries and providers associated with a single national transition
- Eliminates termination costs
- Allows Gov’t/MCSC to focus on single region
- Allows time to correct problems
- Allows contractor staff to be hired and trained over time
- Provides additional implementation time
- Provides time to assess contractor performance

Other Points of Interest

Pharmacy

- TRICARE Mail Order Pharmacy (TMOP)
  - Anticipate award Jun 02
- Retail Pharmacy undergoing procurement & solicitation anticipate phase in Jun 03
- Consolidated Mail Outpatient Pharmacy (CMOP) Pilot Jun 02
  - VA will fill refills from the Direct Care system
  - 3 test sites (Kirtland, San Diego & Ft Hood)
  - Goal create unutilized MTF pharmacy capacity to recapture retail initial prescription workload

Pharmacy is Big Business

- 587 Military Treatment Facility pharmacies across 3 military services and 15 TRICARE Regions
- 41,800 retail pharmacies in 4 separate Managed Care Support Contractors' networks
- 1 National Mail Order Pharmacy

Future Challenges

- Optimize the MHS through seamless integration
- Adhere to timeline for T-Nex
- Implement and use effective and timely monitoring metrics and provide responsive feedback
- Population & fiscal management
- Partner with other DoD federal agencies (VA, CMS etc)

Stay Tuned……

- **Latest information and updates maybe found on the TMA website**
  - **www.tricare.osd.mil/pmo/t-nex**